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C O N F I D E N T I A L SECTION 01 OF 02 ATHENS 002693

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TAGS: [ECON](#) [EFIN](#) [PREL](#) [GR](#) [AMB](#)

SUBJECT: DEPUTY FINANCE MINISTER ON ATTRACTING INVESTMENT  
AND ON MACEDONIA NAME ISSUE

Classified By: Ambassador Charles Ries for Reasons 1.4 (b,d)

11. (C) Summary. The Ambassador discussed Greek efforts to attract more investment, as well as the Macedonia name issue, with Deputy Minister for Finance and National Economy Christos Folias on October 12. On economics, Folias recounted the GoG's economic reform efforts, stressing that his major priority now was reducing Greece's famed level of red tape. He hoped to have a concrete proposal submitted to Parliament by the spring of 2006. On Macedonia, Folias recommended, "speaking personally", that the U.S. should push the UN to float once again the name "Novo Makedonija (Skopje)" as acceptable to both Greeks and Macedonians. As for process, Folias recommended giving the two sides a specific time limit within which they would be required to find a solution to the problem: "We need to solve this problem and move on."

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Macedonia Name Issue: Why Not Novo Makedonija (Skopje)?  
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12. (C) Stressing that he was speaking personally, Folias said he was disappointed that the Macedonia name issue was weighing on positive U.S.-Greek bilateral relations. He felt Greece had made a mistake in the 1990s when the name Novo Makedonija (Skopje) had originally been proposed, and thought that the name should once again be put into play. This was a name both sides could accept: the Macedonians because it contained the word "Makedonija," and the Greeks because it was written in a foreign and non-English language. He thought Greece would never accept the dual name proposal recently put forth by the UN's Matthew Nimitz. As for process, he also panned Nimitz's methods, proposing instead to issue a clear timetable to resolve the issue, and putting the appropriate decision-makers into a secluded place to hammer out a compromise. In any case, Folias stressed, resolving this issue was clearly in the direct interest of both Macedonia and Greece. The Ambassador said he appreciated Folias' honesty and openness, and stressed that the U.S. priority was to find a solution acceptable to both sides, not pushing any particular name.

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Folias Outlines Greek Economic Reform Priorities  
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13. (SBU) Folias said that, as a former businessman, he was personally committed to Greek economic reform. (Bionote: Folias ran a family dairy business and is a partner in the very successful Greek fast food chain "Goody's". He also served four years in the European Parliament.) Folias admitted that he had experienced the myriad of bureaucratic impediments that were keeping both domestic and foreign direct investment far lower than it should be. He recalled the problems he used to go through getting the various approvals necessary to implement his business plans, such as having to pay Greek bureaucrats to "find" papers he had sent them that they had subsequently "lost." This experience helped him deal with his own Ministry of Finance staff, who were wont to tell him reasons why his reform plans would not work.

14. (SBU) The Deputy Minister was optimistic that Greece's reforms were already bearing fruit. In the five months since the passage of the Investment Incentive Law, the GoG had already approved incentive packages for 600 projects worth 1.35 billion Euro. Corporate taxes were on track to fall from 35% in 2003 to 25% in 2006. This correspondingly lower cost of business would attract yet more investment, particularly from foreigners.

15. (SBU) Folias said he saw Greece as a high-income destination for foreign capital, one that did not rely on cheap labor. The key to attracting investment depended on reducing red tape, he opined. He had instructed his staff to document exactly what steps investors had to go through to get project approvals. Once he had this information, he planned to take two additional steps: the first was to cut the necessary steps down to a minimum. The second was to set up a central point of contact for potential investors. Folias admitted that he had first hoped to create a "one-stop shop" for such investors, but this had run aground on the opposition of other ministries. Instead he was now looking

at creating an "Investment Shopping Center", which would house representatives from all relevant ministries and fall under the aegis of the PM's office. Interested investors would meet one person at the Center who would be in charge of shepherding the investment application through the rest of the Hellenic bureaucracy, all of which would have branch offices in the Center. He hoped to have this plan submitted to Parliament by the spring of 2006.

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U.S. Road Show  
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16. (SBU) Folias said he had just returned from a Greek business "road show" in Russia, and hoped to duplicate that show's success later in the U.S. The Ambassador counseled Folias that, rather than take a large group of Greek businessmen to the U.S. it might be more effective to find a small number of GoG decision-makers who could efficiently present Greece's reform record to the U.S. business community.

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Getting Greece's Use of EU Funds in Order  
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17. (C) Folias, whose portfolio includes overseeing EU structural funds for Greece as well as inward investment, told the Ambassador that he had encountered a difficult challenge upon assuming his portfolio. Because of Greece's difficulty in implementing projects funded by EU structural funds in the correct manner, the EU had asked Greece at the beginning of 2005 to return 1.25 billion Euros in previously allocated funds. Folias was proud of having convinced the EU to reduce this amount to 518 million Euros, to be paid in a series of four tranches ending in 2008. He viewed the EU as a partner for Greece, one which should speak intelligently, but honestly, to the Greek people about changes that needed to be made. Folias noted he had recently told Danuta Huebner, the EU's Commissioner for Regional Policy, that during her upcoming visit, she should not repeat Commissioner Almunia's maladroit handling of the Greek press, but this did not mean that she should be mealy-mouthed: "We need to hear the truth."

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